

**THE INSURANCE CODE OF 1956 (EXCERPT)**  
**Act 218 of 1956**

**500.1371 Violation of chapter; action by commissioner; criminal proceeding; penalty.**

Sec. 1371. (1) An insurer failing, without just cause, to file a registration statement as required in this chapter shall be required, after notice and hearing, to pay a penalty of \$1,000.00 for each day's delay, up to a maximum of \$50,000.00, to be recovered by the commissioner and paid into the general fund. The commissioner may reduce the penalty if the insurer demonstrates to the commissioner that the imposition of the penalty would constitute a financial hardship to the insurer.

(2) Every director or officer of an insurance holding company system who knowingly violates, knowingly participates in or assents to, or with actual knowledge permits any of the officers or agents of the insurer to engage in material acts, omissions, or transactions or make investments that have not been properly reported or submitted pursuant to section 1324, 1341, or 1343, that, with respect to material transactions, violate this chapter, or that result in material false or misleading statements to the commissioner with respect to the financial condition of the insurer or any of its affiliates shall pay, in their individual capacity, a civil forfeiture of not more than \$10,000.00 per violation, after notice and hearing before the commissioner. In determining the amount of the civil forfeiture, the commissioner shall take into account the appropriateness of the forfeiture with respect to the gravity of the violation, the history of previous violations, and other matters as justice requires. In addition, a violation of this subsection shall constitute grounds for removal of the director or officer from any position of trust or responsibility in any insurer domiciled in this state in accordance with the procedures established in section 250.

(3) If it appears to the commissioner that an insurer subject to this chapter or any insurer's director, officer, employee, or agent has engaged in any transaction or entered into a contract that is subject to section 1341 or 1344 and that would not have been approved had approval been requested, the commissioner may order the insurer to cease and desist immediately any further activity under that transaction or contract. After notice and hearing, the commissioner may also order the insurer to void any such contract, transaction, or distribution, and restore the status quo if that action is in the best interest of the policyholders, creditors, or the public.

(4) If it appears to the commissioner that an insurer or an insurer's director, officer, employee, or agent has committed a willful violation of this chapter, the commissioner may cause criminal proceedings to be instituted in the circuit court for the county in which the principal office of the insurer is located or if the insurer has no such office in the state, then in the Ingham county circuit court against the insurer or the insurer's responsible director, officer, employee, or agent. An insurer willfully violating this chapter may be fined not more than \$50,000.00. An individual willfully violating this chapter may be fined not more than \$10,000.00 or, if the willful violation involves the deliberate perpetration of a fraud upon the commissioner, imprisoned not more than 2 years, or both.

(5) An officer, director, or employee of an insurance holding company system who willfully and knowingly subscribes to or makes or causes to be made any false statement, false report, or false filing with the intent to deceive the commissioner in the performance of his or her duties under this chapter, shall be imprisoned for not more than 2 years, or fined \$10,000.00, or both. Any fines imposed shall be paid by the officer, director, or employee in his or her individual capacity.

**History:** Add. 1970, Act 136, Imd. Eff. July 29, 1970;—Am. 1992, Act 182, Imd. Eff. Oct. 1, 1992.

**Popular name:** Act 218